

**REPORT OF THE AUDIT OF THE  
MADISON COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2011**



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MADISON COUNTY SHERIFF**

**For The Year Ended  
December 31, 2011**

The Auditor of Public Accounts has completed the Madison County Sheriff's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Madison County Sheriff had total receipts of \$2,162,640, which was a \$337,512 decrease from the prior year. The Sheriff paid 25% of receipts to the Madison County Fiscal Court in the amount of \$390,465. This was an increase of \$98,046 from the prior year. In addition, operating disbursements increased by \$132,238.

#### **Report Comments:**

- 2011-01 The Sheriff Should Comply With Requirements For Handling Public Funds
- 2011-02 The Sheriff Has Inadequate Segregation Of Duties Over Accounting Functions

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Kent Clark, Madison County Judge/Executive  
Honorable Jerry Combs, Madison County Sheriff  
Members of the Madison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Madison County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2011. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2012 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Kent Clark, Madison County Judge/Executive  
Honorable Jerry Combs, Madison County Sheriff  
Members of the Madison County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

2011-01 The Sheriff Should Comply With Requirements For Handling Public Funds  
2011-02 The Sheriff Has Inadequate Segregation Of Duties Over Accounting Functions

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Madison County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

December 7, 2012



MADISON COUNTY  
JERRY COMBS, SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

State Grants		
Highway Safety Grant	\$ 47,765	
BYRN JAG Grant	<u>7,008</u>	\$ 54,773
State Fees for Services		
Finance and Administration Cabinet	124,984	
Cabinet for Health and Family Services	6,335	
Sheriff Security Service	49,304	
KCPC Transports	1,468	
Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	<u>88,121</u>	270,212
Circuit Court Clerk		15,699
Fiscal Court		66,360
County Clerk		174,746
Commission on Taxes		1,103,918
Central Kentucky Area Drug Task Force (CKADTF)		102,112
Fees Collected for Services:		
Auto Inspections	33,625	
Accident and Police Reports	274	
Serving Papers	125,101	
Carrying Concealed Deadly Weapon Permits	<u>21,000</u>	180,000
Other Revenues:		
Reimbursement	59,912	
Telecommunications Tax	14,015	
Fingerprints	495	
Photographs	4,805	
Add On Fees	80,839	
Fiscal Court Ordinance Fees	26,540	
Transports	4,377	
Miscellaneous	<u>3,837</u>	<u>194,820</u>
Total Revenues		2,162,640

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY  
 JERRY COMBS, SHERIFF  
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

Expenditures

Other Expenditures:

Ordinance Fees	\$	26,540	
Refunds		9,221	
Miscellaneous		285	

Total Expenditures		\$	36,046
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Net Revenues			2,126,594
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Payments to State Treasurer:

75% Operating Fund	1,736,129		
25% County Fund	390,465		

Balance Due at Completion of Audit		\$	0
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MADISON COUNTY  
 JERRY COMBS, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2011

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2011	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,736,129		1,736,129
Fees Paid to State - County Funds (25%)		390,465	390,465
	<hr/>	<hr/>	<hr/>
Total Funds Available	\$ 1,736,129	\$ 390,465	\$ 2,126,594
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Payments to Madison County Fiscal Court	\$	\$ 66,360	\$ 66,360
Personnel Services-			
Sheriff's Statutory Maximum	88,277		88,277
Sheriff's Training Incentive	920		920
Deputies' Salaries	790,388		790,388
Part-Time Salaries	78,749		78,749
Other Salaries	229,937		229,937
Overtime Gross	80,591		80,591
Employee Benefits-			
Employer's Share Social Security	87,897		87,897
Employer's Share Retirement (Hazardous)	347,913		347,913
Employer's Share Retirement (Non-Hazardous)	40,508		40,508
Employer's Paid Health Insurance	111,165		111,165
Contracted Services-			
Advertising	373		373
Vehicle Maintenance and Repairs	30,298		30,298
Prisoner Transport	2,991		2,991
Materials and Supplies-			
Office Supplies	17,362		17,362
Uniforms	17,556		17,556

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY  
 JERRY COMBS, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-			
Convention	\$ 1,416	\$	\$ 1,416
Training and Equipment	10,251		10,251
Telephone/Internet	7,744		7,744
Dues	2,089		2,089
Postage	4,306		4,306
Maintenance Agreements	16,584		16,584
CKADTF Expenses	68,723		68,723
Vehicle Equipment	15,017		15,017
Insurance Premiums	15,727		15,727
Gasoline	128,064		128,064
Miscellaneous	1,251		1,251
Total Expenditures	2,196,097	66,360	2,262,457
Fund Balance - December 31, 2011	\$ (459,968)	\$ 324,105	\$ (135,863)

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2011
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent for the first six months and 35.76 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

MADISON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2011  
 (Continued)

Note 2. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Madison County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011  
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Madison County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Forfeited Federal Funds Account

The Madison County Sheriff maintained a Forfeited Federal Funds Account. These funds were used in law-enforcement activities against drugs and were not considered in determining excess fees. As of January 1, 2011, the Sheriff had a balance of \$27,214. During 2011, the Sheriff received \$9,293 in the Forfeited Federal Funds account and disbursed \$1,156, leaving a balance of \$35,351 as of December 31, 2011.

Note 5. Grants

- A. The Sheriff's Office received a Highway Safety Grant from the Kentucky Transportation Cabinet Office of Highway Safety in the amount of \$38,150. The grant period was from October 1, 2010 to September 30, 2011. Funds totaling \$37,904 were expended, leaving an unexpended grant balance of \$246.
- B. The Sheriff's Office received a Highway Safety Grant from the Kentucky Transportation Cabinet Office of Highway Safety in the amount of \$33,500. The grant period was from October 1, 2011 to September 30, 2012. Funds totaling \$9,861 were expended, leaving an unexpended grant balance of \$23,639.
- C. The Sheriff's Office received a Byrne Justice Assistance Grant in the amount of \$8,460 in calendar year 2011 for equipment. Funds totaling \$7,008 were expended leaving an unexpended balance of \$1,452.

Note 6. Central Kentucky Area Drug Task Force

The establishment of the Central Kentucky Area Drug Task Force (CKADTF) was through an inter-local agreement signed by Madison, Garrard, and Jackson Counties. The inter-local agreement was also signed by the City of Berea. The purpose of the CKADTF is to combat the sale, use, and otherwise dealing of illegal drugs and other substances determined to be in violation of federal and state law. The primary funding of the CKADTF is from the Kentucky Justice Cabinet's Justice Assistance Grant Funding Program, which is a federal reimbursement grant. On behalf of Madison County Fiscal Court, the Madison County Sheriff's Office provided the initial funding for grant expenditures so that reimbursement could be requested. The CKADTF grant funding ended in 2011.



MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011  
(Continued)

Note 7. 75% Operating Fund – Deficit Balance

The Sheriff's 75% operating fund had a deficit balance of \$459,968 as of December 31, 2011. KRS 64.345(4) states, "If seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his/her office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his/her term." The 75% operating fund has to be settled at the end of the Sheriff's term, which ends December 31, 2014.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Kent Clark, Madison County Judge/Executive  
The Honorable Jerry Combs, Madison County Sheriff  
Members of the Madison County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Madison County Sheriff for the year ended December 31, 2011, and have issued our report thereon dated December 7, 2012. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Madison County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2011-02 to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Madison County Sheriff's financial statements for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2011-01.

The Madison County Sheriff's response to the finding identified in our audit is included in the accompanying comments and recommendations. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Madison County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

December 7, 2012

## COMMENTS AND RECOMMENDATIONS





MADISON COUNTY  
JERRY COMBS, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2011

STATE LAWS AND REGULATIONS:

2011-01 The Sheriff Should Comply With Requirements For Handling Public Funds

KRS 68.210 directs public officials in minimum requirements for handling public funds. These requirements are outlined in the County Budget Preparation And State Local Finance Policy Manual prepared by the Department for Local Government.

In counties with populations of over 70,000, all fees collected for performing official duties are deposited with County Fee Systems. Twenty-five percent (25%) of the collections are turned over to the county's fiscal court quarterly. The remaining 75% are for the Sheriff to operate on. This requires the official to have a local bank account and an account maintained by County Fee Systems. County Fee Systems produces a monthly statement of activity in the operating account they maintain. The Sheriff makes deposits to the operating account by way of submitting a pay-in voucher. Disbursements are made by submitting purchase orders and invoices to County Fee Systems.

When pay-in vouchers or purchase orders are submitted, the Sheriff should maintain a ledger of receipts and disbursements that have been submitted and maintain a running fund balance for the account. When the monthly statement is obtained, account balance and ledgers should be reconciled to the statement's activity. Also, receipts and disbursement ledgers and an account balance should be maintained for the local bank account. When the monthly statement arrives, the account should be reconciled.

Our audit found that receipt and disbursement ledgers for collections deposited to the local bank account were being maintained. Bank reconciliations to the local account were not found, however evidence of comparisons of individual deposits and checks was noted. Ledgers were not maintained for all receipts or disbursements from the operating account maintained by the Finance and Administration Cabinet – County Fee Systems Branch. Ledgers for some disbursement line items were maintained, but not all. Without complete ledgers, reconciliation is not possible, however evidence of individual transactions being compared to purchase orders was noted.

Failure to maintain ledgers and reconcile ledgers to monthly statements can lead to misappropriation funds without being detected by the Sheriff's office.

The statute also requires that daily deposits be made in tact to a federally insured banking institution. Our audit found that daily deposits are being made, however receipts associated with CCDW were held in a safe on site and deposited once per week. Failure to deposit funds could lead to potential misappropriation of funds.

To comply with the requirements of KRS 68.210, it is recommended that the Sheriff maintain receipt and disbursement ledgers for both the local bank account and the operating account maintained by County Fee Systems. Ledgers for both accounts should be reconciled to their corresponding monthly statements. Any discrepancy in reconciliation should be investigated. It is further recommended that all daily receipts be deposited with the bank deposit.

*Sheriff's Response: A spreadsheet is being set-up to reconcile monthly statements.*

MADISON COUNTY  
JERRY COMBS, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2011  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS:

2011-02 The Sheriff Has Inadequate Segregation Of Duties Over Accounting Functions

During our review of internal controls, we found inadequate segregation of duties over disbursements, payroll, and reconciliation. The bookkeeper is charged with preparing purchase orders, in some cases approving the purchase order, receiving the checks from County Fee Systems, sending payments to vendors and maintaining ledgers. For payroll, the bookkeeper enters time to KHRIS, receives checks for disbursement, reconciles payroll journals to timesheets, and reconciles amounts due for payroll to what is deducted from the operating account. The bookkeeper does any reconciliation procedures that occur.

Lack of segregation of duties or oversight by the official could result in misappropriation of assets and/or inaccurate financial reporting that could go undetected.

Segregation of duties, such as preparing purchase orders/entering time to payroll system, reconciling payroll journals, receiving checks, maintaining ledgers, and reconciling bank statements, or the implementation of compensating controls, when the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Sheriff should separate the duties involved in disbursements, payroll, and reconciliation. If, due to a limited number of staff, that is not feasible, strong oversight over these areas should occur and involve an employee not currently performing any of these functions. The Sheriff could provide this oversight. If the Sheriff does implement compensating controls, these should be documented on the appropriate source document.

*Sheriff's Response: No Response.*

